

Message Text

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ORIGIN STR-04

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E.O. 11652:

TAGS: ETRD, MTN, FR

SUBJECT: Q'S AND A'S FOR LE CONSEILLER DU COMMERCE EXTERIEUR

REF: (A) PARIS 12521, (B) EC BRUSSELS 4373, (C) STATE
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1. FOLLOWING DRAFT RESPONSES BY U.S. SPECIAL REPRESENTA-
TIVE FOR TRADE NEGOTIATIONS, AMBASSADOR ROBERT S. STRAUSS,
TO QUESTIONS POSED BY FRENCH "FOREIGN COMMERCIAL COUNSEL"
MAGAZINE:

BEGIN TEXT: 1. "DOES PRESIDENT CARTER INTEND TO ALTER
THE OBJECTIVES AND MODALITIES OF U.S. FOREIGN TRADE
POLICY?" (PHRASING ACCEPTABLE, UNCHANGED)
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A. NO. THE OBJECTIVES OF U.S. FOREIGN TRADE POLICY HAVE
NOT BEEN ALTERED SINCE OUR ADOPTION OF AN OUTWARDLOOKING,
RECIPROCAL TRADE AGREEMENTS PROGRAM MORE THAN 40 YEARS AGO.
THIS ADMINISTRATION HAS NO INTENTION WHATSOEVER OF ALTERING
THIS POLICY, AND IN FACT PRESIDENT CARTER, IN BOTH WORD
AND ACTION, HAS REDEDICATED THIS GOVERNMENT'S COMMITMENT
TO SUCH A POLICY. HE LED THE DISCUSSIONS AT THE RECENT
LONDON SUMMIT IN THIS REGARD AND HE THUS FAR HAS CON-
SISTENTLY REJECTED PROTECTIONIST SOLUTIONS TO DOMESTIC
TRADE PROBLEMS.

THE MODALITIES OF TRADE POLICY, THAT IS ITS IMPLEMENTATION, ARE A CONSTITUTIONAL CONCERN OF THE CONGRESS. THESE WERE SPELLED OUT IN CONSIDERABLE DETAIL IN THE U.S. TRADE ACT OF 1974. IN BRIEF, IT IS FAIR TO SAY THAT THE ONLY CHANGES WHICH THAT LAW MADE IN TRADE POLICY IMPLEMENTATION WERE TO REQUIRE GREATER PARTICIPATION AND SUPPORT ON THE PART OF THE AMERICAN PUBLIC -- BUSINESS, LABOR, FARMERS, SERVICE INDUSTRIES, RETAILERS AND CONSUMERS -- IN THE CURRENT ROUND OF MULTILATERAL TRADE NEGOTIATIONS IN GENEVA, IN WHICH THE TRADE ACT AUTHORIZED U.S. PARTICIPATION. IN THE LONG RUN, THIS IS NOT ONLY DESIRABLE BUT ESSENTIAL TO MAINTAINING OUR FORWARD-LOOKING TRADE POLICY AND GUARANTEEING SUPPORT AT HOME FOR AGREEMENTS REACHED ABROAD.

2. "DOES THE RECENT VISIT TO WASHINGTON OF MR. JENKINS SUGGEST THAT THE U.S. WISHES TO GLOBALIZE AT THE COMMUNITY LEVEL ITS RELATIONS WITH THE CANDIDATE STATES?" (PHRASING ACCEPTABLE, EXCEPT WE ASSUME PHRASE SHOULD READ "MEMBER STATES."

A. MY ANSWER IS "YES, BUT..." EUROPEAN UNITY -- BOTH ECONOMIC AND POLITICAL -- IS A GOAL WHICH THE U.S. HAS LONG SUPPORTED, AND WHICH PRESIDENT CARTER BELIEVES IS CRITICALLY IMPORTANT TO THE FUTURE OF DEMOCRACY WORLD-WIDE. THAT UNCLASSIFIED

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VICE PRESIDENT MONDALE'S FIRST VISIT ABROAD WAS TO BRUSSELS WAS SYMBOLIC OF OUR SUPPORT FOR A UNITED AND PROSPEROUS EUROPE. THE PRESIDENT'S INVITATION TO MR. JENKINS WAS MEANT TO UNDERSCORE THAT SUPPORT. AS PRESIDENT CARTER TOLD HIS NATO COLLEAGUES IN LONDON, WE WELCOME PROGRESS TOWARD EUROPEAN UNIFICATION AND THE EXPANDING ROLE OF THE EC IN WORLD AFFAIRS -- AND WE WILL WORK CLOSELY WITH THE COMMUNITY.

HOWEVER, AS THE PRESIDENT HAS ALSO MADE VERY CLEAR ON A NUMBER OF OCCASIONS, INCLUDING DURING HIS PARTICIPATION IN THE RECENT LONDON ECONOMIC SUMMIT, WE ALSO PLACE GREAT SIGNIFICANCE ON THE BEST POSSIBLE BILATERAL RELATIONS. I MYSELF WILL BE VISITING A NUMBER OF OUR INDIVIDUAL TRADING PARTNERS IN EUROPE, THE EC COMMISSION, AND THE DEVELOPING WORLD AS WELL AS CANADA AND JAPAN, OVER THE COMING MONTHS TO CONSULT ON HOW WE CAN MOVE TOGETHER TO SPEED THE PROGRESS IN GENEVA.

THE U.S. VIEWS COOPERATION WITH EUROPE AS AN ESSENTIAL FEATURE IN THE INTERNATIONAL EFFORT TO STRENGTHEN THE WORLD ECONOMY, BUILD A MORE OPEN AND ORDERLY TRADING SYSTEM, DEVELOP A CONSTRUCTIVE POLICY TOWARD THE DEVELOPING COUNTRIES AND IMPROVING STABILIZING IN OTHER PARTS OF THE

WORLD. AS PRESIDENT CARTER HAS SAID, WE WILL DEAL WITH THE COMMUNITY TO THE EXTENT WHICH MEMBER STATES THEMSELVES MAKE BRUSSELS THE FOCAL POINT FOR THEIR DECISIONS.

3. WOULD THERE BE ANY CHANGE IN U.S. TRADE POLICY TOWARD PORTUGAL, SPAIN, GREECE, OR TURKEY SHOULD THOSE COUNTRIES JOIN THE COMMUNITY?

A. IN GENERAL, NO, THERE WOULD NOT BE ANY BASIC CHANGE IN OUR DESIRE FOR CLOSE AND FRIENDLY TRADE RELATIONS WITH THOSE COUNTRIES. OF COURSE, THE ASSUMPTION BY THE COMMUNITY OF RESPONSIBILITY FOR COMMERCIAL POLICY FOR UNCLASSIFIED

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THOSE COUNTRIES WOULD REQUIRE US TO LOOK TOWARD BRUSSELS AS THE FOCAL POINT FOR TRADE RELATIONS WITH THEM. IN THAT SENSE, THERE WOULD BE A CHANGE .

4. "SOME OBSERVERS BELIEVE THAT THE MTN SHOULD BE CONCLUDED IN 1977. IS THIS REALISTIC FROM THE U.S. STANDPOINT, WHAT CONCRETE RESULTS IS THE U.S. EXPECTING, AND IS THERE ANY PROSPECT OF GREATER U.S. FLEXIBILITY ON THE AGRICULTURE ISSUE?" (PHRASING ACCEPTABLE, UNCHANGE)

A. THE PREVIOUS U.S. ADMINISTRATION HAD EXPRESSED HOPE THAT THE GENEVA NEGOTIATING PHASE OF THE MTN, NOT THE APPROVAL AND IMPLEMENTATION OF RESULTING AGREEMENTS, COULD BE SUBSTANTIALLY CONCLUDED THIS YEAR. WE DO NOT NOW SEE HOW THIS COULD BE POSSIBLE. HOWEVER, WE ARE MUCH MORE INTERESTED IN RESULTS THAN DEADLINES. IF I HAVE A DEADLINE, IT IS TO GET THE MTN MOVING AGAIN BY AUTUMN.

WITH RESPECT TO OUR MTN EXPECTATIONS GENERALLY, AND "FLEXIBILITY" ON AGRICULTURE, LET ME SAY SIMPLY THAT WE EXPECT MEANINGFUL RESULTS IN THE LIBERALIZATION OF BOTH INDUSTRIAL AND AGRICULTURAL TRADE. THIS MEANS THE BROADEST AND DEEPEST POSSIBLE TARIFF REDUCTIONS, TOGETHER WITH NEW RULES OF TRADE WHICH WILL SET MANAGEABLE LIMITS OR GUIDELINES ON THE USE OF SUCH SO-CALLED "NON-TARIFF" PRACTICES AS SUBSIDIES AND COUNTERVAILING DUTIES, IMPORT RELIEF SAFEGUARDS, PRODUCT STANDARD-SETTING PROCEDURES, GOVERNMENT PURCHASING, IMPORT QUOTAS AND LICENSING, AND CUSTOMS PROCEDURES. WE ALSO LOOK FOR REAL PROGRESS ON SUCH ISSUES AS DISPUTE SETTLEMENT, SURVEILLANCE, AND SANCTIONS.

BUT, WITH RESPECT TO BOTH LIBERALIZATION AND STABILIZATION OF WORLD TRADE IN AGRICULTURE AS WITH RESPECT TO THE ISSUE OF SUBSIDIES AND COUNTERVAILING DUTIES AND OTHER KEY MTN ISSUES, WE BELIEVE IT IS TIME TO CLIMB OUT OF UNCLASSIFIED

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THE "TRENCHES" OF THEOLOGICAL DEBATE, AND SEEK PRACTICAL, PRAGMATIC RESOLUTIONS OF OUR TRADE POLICY DIFFERENCES.

5. "SOME PEOPLE CONSIDER THE US TRADE ACT TO BE A RATHER PROTECTIONIST LAW. SHOULD WE ANTICIPATE THAT THE U.S. GOVERNMENT WILL APPLY IT RIGOROUSLY TO ACHIEVE VITAL STRUCTURAL EVOLUTION IN CERTAIN INDUSTRIAL SECTORS OR TO MAINTAIN EMPLOYMENT, OR WILL IT SEEK VOLUNTARY RESTRAINT AGREEMENTS WITH EXPORTING COUNTRIES?"

A. THE U.S. TRADE ACT AUTHORIZES THE CONTINUANCE OF A LIBERAL U.S. TRADE POLICY. IT REQUIRES ONLY THAT THIS POLICY BE MADE CREDIBLE BY ATTENTION TO LEGITIMATE TRADE GRIEVANCE CASES, WITH A VIEW TO DEVELOPING IMPROVEMENTS IN THE WORLD TRADING SYSTEM WHICH WILL ASSURE FAIRER AS WELL AS FREER WORLD TRADE.

"VOLUNTARY RESTRAINT AGREEMENTS" ARE NOT IN THE INTERNATIONAL, LET ALONE U.S. ECONOMIC INTERESTS OF TRADE EXPANSION. ORDERLY MARKETING AGREEMENTS, ALTHOUGH OF LIMITED VALUE, ARE AN ACCEPTABLE INTERMEDIATE SOLUTION TO SOME IMMEDIATE TRADE PROBLEMS, PENDING THEIR LONGER-RANGE RESOLUTION IN THE MTN. GOVERNMENT TRADE ADJUSTMENT ASSISTANCE IS A BETTER SHORT-RUN AID, AND WE ARE WORKING CURRENTLY TO IMPROVE OUR PROGRAM BASICALLY AND STRUCTURALLY.

6. "PRESIDENT CARTER'S ENERGY POLICY SHOULD LEAD TO A SUBSTANTIAL INCREASE IN THE SALE OF SMALL CARS. DOES THIS PRESENT A MAJOR OPPORTUNITY FOR EUROPEAN CAR EXPORTS, OR WILL THE U.S. GOVERNMENT ACT TO PROTECT ITS OWN CAR BUILDERS?"

A. OF COURSE THE NEW U.S. ENERGY POLICY SUPPORTS SALES OF FUEL-EFFICIENT CARS, FOREIGN AS WELL AS DOMESTIC. THE U.S. CANNOT, HOWEVER, ADOPT A POLICY THAT WOULD GIVE A UNCLASSIFIED

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DISPROPORTIONATE ADVANTAGE TO FOREIGN CAR SALES IN OUR MARKET. BUT IF CONGRESS APPROVES THE AUTO "REBATE" PLAN, WE INTEND TO WORK OUT TRADE ARRANGEMENTS WITH OUR MAJOR FOREIGN SUPPLIERS THAT WILL BE FAIR AND EQUITABLE FOR ALL CONCERNED.

7. "FRANCE HAS A VERY LARGE DEFICIT IN ITS TRADE WITH THE U.S. HOW DOES THE U.S. THINK WE SHOULD PROCEED TO REDRESS THIS DEFICIT AND PROMOTE FURTHER GROWTH IN FRANCO-AMERICAN TRADE?"

A. SO HAS THE U.S., AS DOES THE EC, A VERY LARGE TRADE

DEFICIT WITH JAPAN. WE MUST LOOK TO MULTILATERAL --
RATHER THAN BILATERAL -- TRADE BALANCES TO RATIONALIZE
OUR TRADE POLICIES AND TRENDS.

WE ALSO BELIEVE THAT THE RELATIVELY STRONGER INDUS-
TRIALIZED ECONOMIES SHOULD SHOULD A PROPORTIONATELY
LARGER SHARE OF THE BURDEN OF ECONOMIC RECOVERY. THE
UNITED STATES, OVERALL, IS RUNNING AN ENORMOUS TRADE
DEFICIT.

WE WOULD, HOWEVER, WELCOME IMPROVED TRADE RELATIONS
WITH FRANCE, AS WITH ALL OF OUR IMPORTANT TRADING PARTNERS.
WE BELIEVE THE BEST STIMULUS TO TWO-WAY TRADE IS A
SUBSTANTIAL REDUCTION OR ELIMINATION OF THE NON-TARIFF
AS WELL AS TARIFF BARRIERS WHICH STAND IN THE WAY OF
THE EXPANSION OF SUCH TRADE. THIS MUST CONTINUE TO BE
OUR OBJECTIVE IN THE MTN.

8. "DOES THE U.S. SHARE THE WIDESPREAD CONCERN ABOUT
EASTERN EUROPEAN INDEBTEDNESS? DOES THE U.S. PLAN TO
DEVELOP ITS COMMERCIAL RELATIONS WITH THESE COUNTRIES
AND ACCORD THEM EX-IM BANK AND MFN FACILITIES?"

NOTE: WE WOULD PREFER THAT THIS QUESTION BE DROPPED.
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IT IS NOT TIMELY, NOR OF IMMEDIATE, DIRECT CONCERN TO
THE MTN. END TEXT. HABIB

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